

Message Text

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70

ACTION ARA-10

INFO OCT-01 ISO-00 COME-00 EB-07 TRSE-00 CIAE-00 DODE-00

PM-04 H-02 INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01

SP-02 SS-15 USIA-06 AID-05 /069 W

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P R 201940Z OCT 76

FM EMBASSY SAN SALVADOR

TO SECSTATE WASHDC PRIORITY 2501

INFO AMEMBASSY GUATEMALA

AMEMBASSY MANAGUA

AMEMBASSY SAN JOSE

AMEMBASSY TEGUCIGALPA

USCINCSO

C O N F I D E N T I A L SAN SALVADOR 4876

E.O. 11652: GDS

TAGS: PINT; PGOV; EAGR; ES

SUBJECT: GOES SHAKE-UP OVER ISTA

REF: (A) SAN SALVADOR 4593; (B) SAN SALVADOR 4804; (C) SAN SAL-
VADOR 4348

1. SUMMARY: PRESIDENT MOLINA HAS SUBMITTED TO THE PRIVATE SECTOR'S PERSISTENT DEMANDS FOR DRASTIC CHANGES IN HIS AGRARIAN TRANSFORMATION PROGRAM (ISTA). ALTHOUGH RUMORS TO THIS EFFECT HAVE BEEN WITH US FOR SEVERAL WEEKS, THEY WERE ONLY CONFIRMED ON OCTOBER 19 WHEN THE PLANNING MINISTER AND SUBSECRETARY OF AGRICULTURE RESIGNED AND THE PRESIDENT SENT THE MODIFICATIONS TO THE ASSEMBLY FOR ITS APPROVAL. THE CHANGES, ALTHOUGH DESCRIBED BY THE GOES AS "CORRECTIONS" IN THE ORIGINAL FIRST PROJECT LEGISLATION, REALLY CUT BROADER AND DEEPER INTO THE HEART OF THE PROGRAM THAN MOST OBSERVERS, INCLUDING ANEP, EXPECTED THE PRESIDENT WOULD EVER ACCEPT. THE EVIDENCE INDICATES TO US MOLINA'S LIKELY SUCCESSOR, GNERAL ROMERO, CONVINCED THE PRESIDENT OF THE NECESSITY OF BOWING TO THE CRITICISM, AND GETTING THE NATIONAL JITTERS CRISIS, BUILDING SINCE JULY 1, BEHIND THEM. END SUMMARY.

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2. THE FIRST CONCRETE PROOF THAT THE MOLINA ADMINISTRATION HAS INDEED SUBMITTED TO THE NATIONAL ASSOCIATION OF PRIVATE ENTERPRISE (ANEP)'S DEMANDS FOR RADICAL CHANGES IN THE GOVERNMENT'S FIRST AGRARIAN TRANSFORMATION PROJECT (SEE REF A FOR EARLIER INDICATIONS) CAME ON OCTOBER 18 WITH THE RESIGNATIONS OF PLANNING MINISTER ATILIO VIEYTEX AND SUBSECRETARY OF AGRICULTURE SALVADOR ARIAS PENATE. THESE WERE THE TWO PRINCIPAL MOTIVE FORCES BEHIND THE REGIME'S FIRST PROJECT, AND THE TOP NAMES ON ANEP'S ENEMIES LIST. VIEYTEZ WAS REPLACED BY HIS SUBSECRETARY ROBERTO CHICO DUARTE, AND AN ASSEMBLY DEPUTY, JOSE SERGIO MENA MENDEZ, WAS GIVEN THE AGRICULTURE JOB.

3. THE PRESIDENT CONFIRMED WHAT WAS OCCURRING WHEN HE SIMULTANEOUSLY SENT A LIST OF CHANGES IN THE FIRST PROJECT LAW TO THE NATIONAL ASSEMBLY. THE PROPOSED REVISIONS, AS SUBMITTED BY ANEP AND UNCHANGED BY THE PRESIDENT'S NEGOTIATING TEAM, WOULD DRASTICALLY WATER DOWN THE SCOPE, INTENT AND POWER OF THE ISTA PROJECT. THERE ACCEPTANCE, COMBINED WITH THE VIEYTEZ AND ARIAS DEPARTURES, REPRESENT A TOTAL VICTORY FOR ANEP AND A STUNNING RETREAT BY PRESIDENT MOLINA JUST ONE MONTH AFTER HIS SEPTEMBER 15 SPEECH PROMISING FULL SPEED AHEAD (REF C).

4. THE SEQUENCE OF EVENTS THAT LED TO THE RESIGNATIONS WAS AS FOLLOWS. AS LATE AS LAST FRIDAY (OCTOBER 15), VIEYTEZ AND ARIAS REMAINED CONVINCED THAT THE PRESIDENT WOULD NOT YIELD. THEY CHAIRED AN INTERDEPARTMENTAL COMMISSION THAT NIGHT PLANNING IMPLEMENTATION. APPARENTLY ON SATURDAY, THEY AND COL. EFRAIN TEJADA (ISTA PRESIDENT) WERE FIRST GIVEN THE LIST OF ANEP DEMANDS, AND WORD THAT THE PRESIDENT AGREED TO THEIR IMMEDIATE ADOPTION. ALTHOUGH ASKED FOR THEIR RESPECTIVE AGENCY COMMENTS, ALL THREE REALIZED THAT THE FIGHT WAS OVER. ALL REPORTEDLY WERE SHOCKED BY THE MAGNITUDE OF THE PRESIDENT'S SURRENDER. ALL THREE IMMEDIATELY OFFERED THEIR RESIGNATIONS. ONLY TEJADA, A MILITARY OFFICER WHO COULD BE EXPECTED TO FOLLOW THE NEW ORDERS, REMAINED.

5. ON MONDAY, OCTOBER 18, COL. TEJADA CALLED HIS ISTA
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DEPARTMENT HEADS TOGETHER AND SIMPLY READ THE PROPOSED CHANGES. NO ONE ATTENDING MISSED THE MESSAGE OF SURRENDER. VIEYTEZ ALSO SPOKE THAT DAY TO HIS MINISTRY STAFF TO SAY FAREWELL. SHAKING, AND NEAR TEARS, HE SAID THAT "FOR GOOD OR BAD, THE GOVERNMENT HAS RETRACTED" ON ITS PROMISES. HE SAID HE WAS PROUD THAT HIS MINISTRY HAD BEEN THE LEADER IN THE LAND REFORM PROPOSAL, AND LAMENTED THAT THE GOVERNMENT RECEIVED PRACTICALLY NO SUPPORT

WHILE UNDER ATTACK. VIEYTEZ SAID HE UNDERSTOOD
COMPROMISE WAS NECESSARY, AND THAT HIS RESIGNATION WAS
"PART OF THEAT COMPROMISE."

6. ANEP DICTATED REVISIONS ARE ESSENTIALLY THOSE
DESCRIBED IN EARLIER REPORTING, I.E., VOLUNTARY SALES
RATHER THAN COMPULSORY; CAHSE NOT BONDS; MUCH MORE COMPLEX
REGULATIONS TO DECLARE SPROPERTY "UNDERUTILIZED" OR NOT
FULFILLING ITS "SOCIAL" ROLE UNDER THE CONSTITUTION; ETC.
ANEP REPORTEDLY WILL AGREE TO WORK OUR SOME SIGNIFICANT
"VOLUNTARY SALES" SUCH AS A RUMORED 2,000 ACRES BY
LANDOWNER JUAN WRIGHT. THE GOVERNMENT TECHNICIANS, WHILE
EXPECTING CONSIDERABLE TINKERING, WERE NEVERTHELESS SHOCKED
AT HOW THOROUGHLY THE PROGRAM WILL BE GUTTED.

7. COMMENT: FROM ALL THAT IS PRESENTLY KNOWN OF EVENTS
SINCE THE PRESIDENT ANNOUNCED HIS WILLINGNESS TO "CONSULT"
WITH ANEP OVER "SUGGESTED MODIFICATIONS," IT SEEMS HIGHLY
LIKELY THAT COL. CARLOS HUMBERTO ROMERO HAS BEEN THE
FORCE BEHIND ACCEPTING ANEP'S "SUGGESTIONS." THE GOES
NEGOTIATING TEAM WAS COMPOSED OF THREE ROMERO MEN.
ROMERO TALKED PRIVATELY WITH ANEP AND PROMISED HIS SUPPORT
FOR CHANGES "WHEN HE ASSUMED CHARGE." HE GAVE NO PUBLIC
STATEMENT, PRO OR CON, ON ISTA HE MOST LIKELY CONVINCED
MOLINA THAT IF HE WANTED TO MAKE IT TO THE END OF HIS TERM,
COMPROMISE WAS MANADTORY. WITH ANEP KEEING UP HEAVY PRESSURES,
WITH ON ONE RUSHING TO HIS DEFENSE, AND WITH THE ECONOMY
AND THE COLON EXPERIENCING A BAD CASE OF THE JITTERS, MOLINA
COLLAPSED. HE APPARENTLY DECIDED TO TAKE HIS LUMPS IN ONE BLOW,
AND SOONER RATHER THAN LATER, AND PERHAPS TIMED FOR THE
OPENING OF THE ELECTION CAMPAIGN OCTOBER 20. THUS THE RUSH
OF EVENTS OF THE PAST WEEK. IT IS STILL TWO EARLY TO TELL
WHAT REACTIONS THE MILITARY OFFICER CORPS AND
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THE CAMPESINO SECTOR MIGHT EXPERIENCE. MOLINA'S PERSONAL
PRESTIGE WILL UNDOUBTEDLY SUFFER BADLY.

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